

TOWNSHIP OF PITTSFORD
HILLSDALE COUNTY, MICHIGAN

AUDIT REPORT

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF PITTSFORD	County HILLSDALE
Audit Date 3-31-04	Opinion Date 10-4-04	Date Accountant Report Submitted to State: 10-12-04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>		
Reports on individual federal financial assistance programs (program audits).			<input checked="" type="checkbox"/>
Single Audit Reports (ASLGR).			<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name) Bailey, Hodshire + Company, PC			
Street Address 479 E Chicago St PO Box 215	City Jonesville	State MI	ZIP 49250
Accountant Signature Gregory J. Bailey		Date 10-12-04	

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Bailey, Hodshire
& Company, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the Supervisor and
Members of the Township Board
Township of Pittsford
Pittsford, Michigan

We have audited the accompanying general purpose financial statements of the Township of Pittsford as of and for the year ended March 31, 2004, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The scope of our examination did not include verification of the fund equities at April 1, 2003. We are, therefore, unable to express an opinion on the accompanying statements of fund balance and/or retained earnings as of that date.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to audit the April 1, 2003 fund equities, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Pittsford, as of March 31, 2004, and the results of its operations and the cash flows of its proprietary fund type for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Township of Pittsford. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Bailey, Hodshire + company, P.C.
Jonesville, Michigan
October 4, 2004

TOWNSHIP OF PITTSFORD
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	Governmental Fund Types		Enterprise Fund		Fiduciary Fund		Account Group		Total (Memo Only)
	General Fund	Special Revenue Fund	Sewage Disposal System	Current Tax Collection Fund	General Fixed Assets				
ASSETS									
Cash and Investments	\$ 11,767	\$ 30,683	\$ 44,863	\$ 12,889	\$ 0	\$ 100,202			
Taxes Receivable	1,986	0	2,468	0	0	4,454			
Due From Other Funds	95	0	12,794	0	0	12,889			
Land	0	0	32,955	0	7,700	40,655			
Buildings	0	0	1,062,067	0	64,170	1,126,237			
Equipment	0	0	0	0	322,671	322,671			
Improvements	0	0	0	0	26,746	26,746			
Less: Accumulated Depreciation	0	0	(372,185)	0	0	(372,185)			
Total Assets	\$ 13,848	\$ 30,683	\$ 782,962	\$ 12,889	\$ 421,287	\$ 1,261,669			
LIABILITIES, FUND EQUITY, AND OTHER CREDITS									
Liabilities									
Current Liabilities									
Due to Other Funds/Entities	\$ 0	\$ 0	\$ 0	\$ 12,889	\$ 0	\$ 12,889			
Accounts Payable	6,630	150	0	0	0	6,780			
Accrued Interest Payable	0	0	1,277	0	0	1,277			
Contract Payable - Current Portion	0	0	32,678	0	0	32,678			
Total Current Liabilities	\$ 6,630	\$ 150	\$ 33,955	\$ 12,889	\$ 0	\$ 53,624			
Long-term Liabilities									
Contract Payable	\$ 0	\$ 0	\$ 31,179	\$ 0	\$ 0	\$ 31,179			
Deferred Charges - 1996 Bond Refunding	0	0	(3,017)	0	0	(3,017)			
Total Long-term Liabilities	\$ 0	\$ 0	\$ 28,162	\$ 0	\$ 0	\$ 28,162			
Fund Equity and Other Credits	\$ 6,630	\$ 150	\$ 62,117	\$ 12,889	\$ 0	\$ 81,786			
Investment in General Fixed Assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 421,287	\$ 421,287			
Contributed Capital	0	0	465,409	0	0	465,409			
Retained Earnings	0	0	255,436	0	0	255,436			
Fund Balances - Unreserved/Undesignated	7,218	30,533	0	0	0	37,751			
Total Fund Equity and Other Credits	\$ 7,218	\$ 30,533	\$ 720,845	\$ 0	\$ 421,287	\$ 1,179,883			
Total Liabilities, Fund Equity, and Other Credits	\$ 13,848	\$ 30,683	\$ 782,962	\$ 12,889	\$ 421,287	\$ 1,261,669			

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	General	Special Revenue	Totals (Memorandum Only)
REVENUE			
Property Taxes	\$ 29,447	\$ 0	\$ 29,447
State Shared Revenue	111,566	5,209	116,775
Contributions from Other Townships	0	5,600	5,600
Fines, Fees and Commissions	4,150	26,724	30,874
Interest Income	132	574	706
Contributions	0	1,693	1,693
Cemetery Receipts	625	0	625
Rent	4,800	0	4,800
Miscellaneous	<u>895</u>	<u>759</u>	<u>1,654</u>
Total Revenue	<u>\$ 151,615</u>	<u>\$ 40,559</u>	<u>\$ 192,174</u>
EXPENDITURES			
General Government	\$ 63,961	\$ 0	\$ 63,961
Public Safety	58,525	0	58,525
Public Works	43,676	0	43,676
Cemetery	4,068	0	4,068
Recreation and Culture	1,415	38,506	39,921
Capital Improvements	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>\$ 171,645</u>	<u>\$ 38,506</u>	<u>\$ 210,151</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (20,030)</u>	<u>\$ 2,053</u>	<u>\$ (17,977)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers - In	\$ 0	\$ 4,800	\$ 4,800
Operating Transfers - Out	<u>(4,800)</u>	<u>0</u>	<u>(4,800)</u>
Total Other Financing Sources (Uses)	<u>\$ (4,800)</u>	<u>\$ 4,800</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES			
	<u>\$ (24,830)</u>	<u>\$ 6,853</u>	<u>\$ (17,977)</u>
FUND BALANCES - April 1, 2003	<u>32,048</u>	<u>23,680</u>	<u>55,728</u>
FUND BALANCES - March 31, 2004	<u>\$ 7,218</u>	<u>\$ 30,533</u>	<u>\$ 37,751</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

	<u>General Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Property Taxes	\$ 28,350	\$ 29,447	\$ 1,097
State Shared Revenue	115,000	111,566	(3,434)
Contributions from Other Townships	0	0	0
Contributions	0	0	0
Fines, Fees and Commissions	2,800	4,150	1,350
Interest Income	100	132	32
Rent	4,800	4,800	0
Cemetery Receipts	250	625	375
Miscellaneous	<u>1,476</u>	<u>895</u>	<u>(581)</u>
Total Revenue	<u>\$ 152,776</u>	<u>\$ 151,615</u>	<u>\$ (1,161)</u>
EXPENDITURES			
General Government	\$ 66,750	\$ 63,961	\$ (2,789)
Public Safety	52,000	58,525	6,525
Public Works	47,930	43,676	(4,254)
Cemetery	4,070	4,068	(2)
Recreation and Culture	1,500	1,415	(85)
Capital Improvements	<u>800</u>	<u>0</u>	<u>(800)</u>
Total Expenditures	<u>\$ 173,050</u>	<u>\$ 171,645</u>	<u>\$ (1,405)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (20,274)</u>	<u>\$ (20,030)</u>	<u>\$ 244</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers - In	\$ 0	\$ 0	\$ 0
Operating Transfers - Out	<u>(4,800)</u>	<u>(4,800)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (4,800)</u>	<u>\$ (4,800)</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (25,074)</u>	<u>\$ (24,830)</u>	<u>\$ 244</u>
FUND BALANCES - April 1, 2003	<u>32,048</u>	<u>32,048</u>	<u>0</u>
FUND BALANCES - March 31, 2004	<u>\$ 6,974</u>	<u>\$ 7,218</u>	<u>\$ 244</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
COMBINED STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004 (continued)

<u>Special Revenue Funds</u>			<u>Total (Memorandum Only)</u>		
<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
\$ 0	\$ 0	\$ 0	\$ 28,350	\$ 29,447	\$ 1,097
2,500	5,209	2,709	117,500	116,775	(725)
5,600	5,600	0	5,600	5,600	0
500	1,693	1,193	500	1,693	1,193
18,500	26,724	8,224	21,300	30,874	9,574
500	574	74	600	706	106
0	0	0	4,800	4,800	0
0	0	0	250	625	375
<u>30</u>	<u>759</u>	<u>729</u>	<u>1,506</u>	<u>1,654</u>	<u>148</u>
<u>\$ 27,630</u>	<u>\$ 40,559</u>	<u>\$ 12,929</u>	<u>\$ 180,406</u>	<u>\$ 192,174</u>	<u>\$ 11,768</u>
\$ 0	\$ 0	\$ 0	\$ 66,750	\$ 63,961	\$ (2,789)
0	0	0	52,000	58,525	6,525
0	0	0	47,930	43,676	(4,254)
0	0	0	4,070	4,068	(2)
47,150	38,506	(8,644)	48,650	39,921	(8,729)
<u>0</u>	<u>0</u>	<u>0</u>	<u>800</u>	<u>0</u>	<u>(800)</u>
<u>\$ 47,150</u>	<u>\$ 38,506</u>	<u>\$ (8,644)</u>	<u>\$ 220,200</u>	<u>\$ 210,151</u>	<u>\$ (10,049)</u>
<u>\$ (19,520)</u>	<u>\$ 2,053</u>	<u>\$ 21,573</u>	<u>\$ (39,794)</u>	<u>\$ (17,977)</u>	<u>\$ 21,817</u>
\$ 4,800	\$ 4,800	\$ 0	\$ 4,800	\$ 4,800	\$ 0
<u>0</u>	<u>0</u>	<u>0</u>	<u>(4,800)</u>	<u>(4,800)</u>	<u>0</u>
<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
\$ (14,720)	\$ 6,853	\$ 21,573	\$ (39,794)	\$ (17,977)	\$ 21,817
<u>23,680</u>	<u>23,680</u>	<u>0</u>	<u>55,728</u>	<u>55,728</u>	<u>0</u>
<u>\$ 8,960</u>	<u>\$ 30,533</u>	<u>\$ 21,573</u>	<u>\$ 15,934</u>	<u>\$ 37,751</u>	<u>\$ 21,817</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN EQUITY
ENTERPRISE FUND - SEWAGE DISPOSAL SYSTEM
FOR THE YEAR ENDED MARCH 31, 2004

OPERATING REVENUE	
Sewer Assessments - Tax Levy	\$ 15,262
Transfer From Jefferson Township Debt Retirement	<u>18,259</u>
Total Operating Revenue	<u>\$ 33,521</u>
OPERATING EXPENSES	
Depreciation	<u>\$ 26,552</u>
Total Operating Expenses	<u>\$ 26,552</u>
OPERATING INCOME	\$ 6,969
NON-OPERATING INCOME (EXPENSE)	
Interest Income	\$ 116
Miscellaneous Income	265
Interest Expense and Fees	(4,277)
Miscellaneous Expense	<u>(672)</u>
Total Non-Operating Income (Expense)	<u>(4,568)</u>
NET INCOME	\$ 2,401
Add: Depreciation Attributable to Fixed Assets Acquired with Contributed Capital	<u>17,913</u>
INCREASE (DECREASE) IN RETAINED EARNINGS	\$ 20,314
RETAINED EARNINGS - April 1, 2003	<u>235,122</u>
RETAINED EARNINGS - March 31, 2004	<u>\$ 255,436</u>
CONTRIBUTED CAPITAL - April 1, 2003	\$ 483,322
Less: Depreciation Attributable to Fixed Assets Acquired with Contributions in Aid of Construction	<u>(17,913)</u>
CONTRIBUTED CAPITAL - March 31, 2004	<u>\$ 465,409</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF CASH FLOWS
ENTERPRISE FUND - SEWAGE DISPOSAL SYSTEM
FOR THE YEAR ENDED MARCH 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received From Customers	\$ 19,787	
Net Cash Provided by Operating Activities		\$ 19,787
CASH FLOWS FROM (TO) CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Paid on County Contract	\$ (26,083)	
Interest Paid on County Contract	(3,671)	
Fiscal Fees Paid	<u>(114)</u>	
Net Cash Used for Capital and Related Financing Activities		(29,868)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 116	
Net Cash Provided by Investing Activities		<u>116</u>
NET INCREASE (DECREASE) IN CASH		\$ (9,965)
CASH - April 1, 2003		<u>54,828</u>
CASH - March 31, 2004		<u>\$ 44,863</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Township of Pittsford comprises a population of approximately 1,600 and had a 2003 total state taxable valuation of approximately \$ 35,789,822 (not including IFT valuations). It is governed by a board consisting of 5 members with a supervisor as its head. As required by generally accepted accounting principles, these financial statements present all fund types and account groups that are controlled by or dependent on the Township Board of Trustees. Accordingly, this report does not include the financial statements of the Pittsford-Jefferson Fire Department which operates autonomously under a service agreement with Jefferson Township.

Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The various funds and account groups of the Township are as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

Proprietary Funds

Enterprise Funds - Enterprise Funds report operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. Only Financial Accounting Standards Board Statements issued prior to November 30, 1989, have been applied to the proprietary funds.

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the Township in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. These Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Account Groups

General Fixed Assets Group of Accounts - This account group presents fixed assets of the Township utilized in its general operations.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Total columns on the combined statements are captioned "memo only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; therefore, it is not comparable to a consolidation.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Governmental fund types are presented using the flow of current financial resources measurement focus. With this measurement focus, operating statements present increases and decreases in net current assets, and unreserved fund balance is a measure of available spendable resources.

The general fund and Special Revenue Fund uses the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenue is recognized when susceptible to accrual (i.e. when it is "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

Property taxes, State revenue sharing, interest, and special assessments are susceptible to accrual. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the Township and are recognized as revenue at that time.

The Proprietary Fund (Sewage Disposal System) utilizes the full accrual basis of accounting. Under this method, revenue is recorded when earned and expenses are recorded at the time the liability is incurred.

The Tax Collection Fund uses the cash basis which recognizes revenue when it is received in cash and expenses when the outlay of cash is made.

Budgetary Data

The Township adopted budgets for the General Fund and Special Revenue Fund on the modified accrual basis. Once approved, the Township Board may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. The amended budgets are presented in these financial statements. Encumbrance accounting is not used, and all annual appropriations lapse at fiscal year-end.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Assets, Liabilities, and Fund Equity

Cash and investments are reported at cost.

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets are accounted for at cost, or if the cost is not practicably determinable, at estimated cost. Donated fixed assets are recorded at their estimated fair value at the time received. Governmental fund fixed assets are recorded in the General Fixed Asset Account Group and are not depreciated. Proprietary fund fixed assets are recorded in the Sewer Fund and are depreciated using the straight-line method over the estimated useful life of the assets (40 years). The Township has elected not to report public domain or infrastructure fixed assets that are immovable and of value only to the Township government.

Revenue, Expenditures, and Expenses

Property tax revenue is normally recognized in the amount of taxes levied.

2. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

P.A. 621 of 1978, Section 18 (i), as amended, provides that a local unit shall not incur expenditures in excess of the annual appropriation. In the body of the financial statements, the Township's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis as approved and adopted by the Township Board.

During the year ended March 31, 2004, the Township incurred expenditures in certain budgetary funds that were in excess of the amount appropriated. These variances are as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund			
Public Safety	\$ 52,000	\$ 58,525	\$ 6,525

3. CASH AND INVESTMENTS

Following are the components of the Township's bank deposits at March 31, 2004:

Checking and Savings Accounts	\$ 88,202
Certificates of Deposit	<u>12,000</u>
Total	<u>\$ 100,202</u>

The carrying amount of the Township's bank deposits was \$100,202 and the bank's balance was \$100,202 at March 31, 2004. Of the total balance, \$100,000 was covered by federal depository insurance and \$202 was uninsured.

The Township's investments are categorized in the following table to give an indication of the level of custodial risk assumed by the Township at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the Township or its agent in the Township's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's or dealer's trust department or agent in the Township's name. Category 3 includes uninsured and unregistered investments for which the

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

3. CASH AND INVESTMENTS (continued)

securities are held by the bank or dealer, or by its trust department or agent but not in the Township's name.

	<u>GASB Category</u>			<u>Carrying</u>	<u>Market</u>
	<u>#1</u>	<u>#2</u>	<u>#3</u>	<u>Amount</u>	<u>Value</u>
Certificates of Deposit \$	12,000	0	0	\$ 12,000	\$ 12,000

State statutes authorize the Township to invest funds in one or more of the following: (a) bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States; (b) certificates of deposit, savings accounts, deposit accounts, or depository receipts of a Federally insured financial institution which maintains a principal office or branch office in the state of Michigan; (c) commercial paper rated within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase; (d) United States government or Federal agency obligation repurchase agreements; (e) banker's acceptance of United States banks; (f) obligations of the state of Michigan or any of its political subdivisions that are rated as investment grade by not less than one standard rating service; (g) mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles which are legal for investment by a public corporation; (h) obligations described above if purchased through an interlocal agreement under the Urban Cooperations Act of 1967; (i) investment pools organized under the Surplus Funds Investment Pool Act, 1982; (j) investment pools organized under the Local Government Investment Pool Act, 1985. As of March 31, 2004, the Township's investments are in accordance with statutory authority.

4. PROPERTY TAXES

Real estate and personal property taxes are recorded as revenue in an amount equal to the total taxes levied. There are no provisions made for possible uncollectible taxes. The total levy for 2003 was .75610 mills all allocated to General Fund. The Township properties are assessed as of December 31 (the lien date), taxes levied December 1 of the succeeding year and due without interest to March 1. After March 1, the delinquent taxes real portion are turned over to the county treasurer for collection. The personal properties continue to be collectible by the Township Treasurer.

5. CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	<u>Balance</u>			<u>Balance</u>
	<u>4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>3/31/04</u>
Land	\$ 7,700	\$ 0	\$ 0	\$ 7,700
Buildings	64,170	0	0	64,170
Equipment	315,932	6,739	0	322,671
Improvements	<u>26,746</u>	<u>0</u>	<u>0</u>	<u>26,746</u>
Total Fixed Assets	<u>\$ 414,548</u>	<u>\$ 6,739</u>	<u>\$ 0</u>	<u>\$ 421,287</u>

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

6. SUMMARY OF PROPRIETARY FUND FIXED ASSETS

Property and equipment recorded in the proprietary fund at March 31, 2004, follows:

<u>Description</u>	<u>Amount</u>	<u>Depreciable Life - Years</u>	<u>Depreciation Method</u>
Land	\$ 32,955	N/A	N/A
Plant and Equipment	<u>1,062,067</u>	40 Years	St. Line
Total Cost	\$ 1,095,022		
Less: Accumulated Depreciation	<u>(372,185)</u>		
Net Carrying Amount	<u>\$ 722,837</u>		

Total depreciation expense for the year was \$26,552.

A summary of changes in proprietary fund fixed assets follows:

	<u>Balance 4/1/03</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 3/31/04</u>
Land	\$ 32,955	\$ 0	\$ 0	\$ 32,955
Plant and Equipment	<u>1,062,067</u>	<u>0</u>	<u>0</u>	<u>1,062,067</u>
	<u>\$1,095,022</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$1,095,022</u>

7. UNEMPLOYMENT TAXES

The Township is a reimbursing employer to the Michigan Unemployment Insurance Agency and as such is responsible to pay the Agency for those benefits paid and charged to its account. As of March 31, appropriate liabilities have been recorded for all claims paid by the Agency. However, no provision has been made for future payments that might result from claims in process or unfilled.

8. SEWAGE DISPOSAL SYSTEM

The "Bird Lake Sanitary Sewage Disposal System" and the "Bird Lake Service Area" were created by Ordinance No. 4 in May of 1985. The ordinance provided for the creation and operation of a sanitary sewer system in conjunction with the Township of Jefferson for the benefit of area residents. During the 1987-88 year, other ordinances were passed which provided for the sewer system to be named the "Pittsford Sanitary Sewage Disposal System." These ordinances also provided for the imposition, collection, and enforcement of fees and charges for connection, required sewers for occupied premises, and other matters relative to the system. In April, 1988, bonds were sold to provide funds for construction of the sewage disposal system. The total estimated construction cost was approximately \$3,819,000 and after considering federal grants and other money to be received of \$2,544,000 a bond issue for \$1,275,000 was offered by the County of Hillsdale Board of Commissioners. The bonds were issued pursuant to the Provisions of Act 185 Public Acts of Michigan, 1957 as amended and by resolution of the County. Due to favorable interest rates, the Townships decided to refinance the outstanding bonds with a new bond issue on February 1, 1996. The Townships of Pittsford and Jefferson are obligated to repay these bonds plus interest pursuant to a continuing contract with the County dated January 1, 1988. The final contractual obligation

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

8. SEWAGE DISPOSAL SYSTEM (continued)

for payment of principal and interest on a percentage basis is as follows: Township of Jefferson 70.02% and Township of Pittsford 29.98%. Reference should be made to the underlying documents and Hillsdale County records for further details.

A summary of changes in long-term debt (Pittsford Township share) for the year follows:

Amount of Original Contract	Maturity Date	Range of Interest Rates	1996 Bond Issue			
			Balance 4/1/031	Issued	Retired	Balance 3/31/04
\$ 270,120	2005	3.95%-4.85%	<u>\$ 89,940</u>	<u>\$ 0</u>	<u>\$ 26,083</u>	<u>\$ 63,857</u>

The annual debt service requirements to maturity for bonded debt as of March 31 (Pittsford Township share) are as follows:

Year	Principal Due May 1	Interest Rate	Interest Due May 1	Interest Due November 1	Total Remaining Principal & Interest Requirements
2004	\$ 32,678	4.750%	\$ 1,532	\$ 756	\$ 34,966
2005	<u>31,179</u>	4.850%	<u>529</u>	<u>0</u>	<u>31,708</u>
	<u>\$ 63,857</u>		<u>\$ 2,061</u>	<u>\$ 756</u>	<u>\$ 66,674</u>

Note: The current ratios developed for interest and principal payments are:

Jefferson Township	70.02%
Pittsford Township	<u>29.98%</u>
	<u>100.00%</u>

9. SEGMENT INFORMATION - ENTERPRISE FUND

Segment information on the Sewage Disposal System for the year ended March 31, 2004, is as follows:

Operating Revenue	\$ 15,378
Depreciation Expense	26,552
Net Income (Loss)	2,401
Property, Plant and Equipment Additions	0
Net Working Capital	26,170
Total Assets	782,962
Contract Payable	63,857
Total Equity	720,845

TOWNSHIP OF PITTSFORD
NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

10. INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payables balances as of March 31, 2004, are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 95	Current Tax	\$ 95
Enterprise	<u>12,794</u>	Current Tax	<u>12,794</u>
	<u>\$ 12,889</u>		<u>\$ 12,889</u>

11. RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries. The Township has purchased commercial insurance for claims relating to general liability, excess liability, auto liability, errors and omissions, physical damage (equipment, buildings and contents), workers compensation, and other appropriate coverages. There has been no significant reduction in insurance coverages and settled claims have not exceeded the amount of insurance coverage in any of the past 3 years.

12. JOINT VENTURE

The Township is a participant in a joint venture agreement with the Township of Jefferson for the operation of Pittsford-Jefferson Fire Department. Each Township appoints two members of the five-member Fire Board which oversees the operations. The interests of the Townships in all assets and liabilities of the fire department are joint and equal. Fire service may be provided to other governmental units on a contract basis. Each Township's percentage share of the annual operating and maintenance expenses is determined by dividing the number of Sections within that Township which are receiving fire department services by the total number of Sections in all Townships receiving said services. Complete separate financial statements may be obtained at the Jefferson Township Hall.

SUPPLEMENTARY INFORMATION

TOWNSHIP OF PITTSFORD
BALANCE SHEET
GENERAL FUND
MARCH 31, 2004

ASSETS

Cash and Investments	\$ 11,767
Taxes Receivable	1,986
Due From Other Funds	<u>95</u>
Total Assets	<u>\$ 13,848</u>

LIABILITIES AND FUND BALANCE

LIABILITIES	
Accounts Payable	\$ 6,630
FUND BALANCE	
Unreserved	
Undesignated	<u>7,218</u>
Total Liabilities and Fund Balance	<u>\$ 13,848</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Property Taxes	\$ 28,350	\$ 29,447	\$ 1,097
State Shared Revenue	115,000	111,566	(3,434)
Fines, Fees and Commissions	2,800	4,150	1,350
Interest Income	100	132	32
Rent	4,800	4,800	0
Cemetery Receipts	250	625	375
Miscellaneous	<u>1,476</u>	<u>895</u>	<u>(581)</u>
Total Revenue	<u>\$ 152,776</u>	<u>\$ 151,615</u>	<u>\$ (1,161)</u>
EXPENDITURES			
General Government	\$ 66,750	\$ 63,961	\$ (2,789)
Public Safety	52,000	58,525	6,525
Public Works	47,930	43,676	(4,254)
Cemetery	4,070	4,068	(2)
Recreation and Culture	1,500	1,415	(85)
Capital Improvements	<u>800</u>	<u>0</u>	<u>(800)</u>
Total Expenditures	<u>\$ 173,050</u>	<u>\$ 171,645</u>	<u>\$ (1,405)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (20,274)</u>	<u>\$ (20,030)</u>	<u>\$ 244</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers - In	\$ 0	\$ 0	\$ 0
Operating Transfers - Out	<u>(4,800)</u>	<u>(4,800)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ (4,800)</u>	<u>\$ (4,800)</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (25,074)</u>	<u>\$ (24,830)</u>	<u>\$ 244</u>
FUND BALANCES - April 1, 2003	<u>32,048</u>	<u>32,048</u>	<u>0</u>
FUND BALANCES - March 31, 2004	<u>\$ 6,974</u>	<u>\$ 7,218</u>	<u>\$ 244</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
GENERAL FUND EXPENDITURES - BUDGET AND ACTUAL
FOR THE YEAR ENDED MARCH 31, 2004

GENERAL GOVERNMENT	Budget	Actual	Over (Under)
Township Board			
Trustees - Per Diem	\$ 4,000	\$ 3,537	\$ (463)
Other Expenses	<u>1,500</u>	<u>2,013</u>	<u>513</u>
Total Township Board	<u>\$ 5,500</u>	<u>\$ 5,550</u>	<u>\$ 50</u>
Supervisor, Assessor and Land Division Administrator			
Salary	\$ 15,000	\$ 14,900	\$ (100)
Supplies and Contractual Services	<u>1,000</u>	<u>881</u>	<u>(119)</u>
Total Supervisor	<u>\$ 16,000</u>	<u>\$ 15,781</u>	<u>\$ (219)</u>
Clerk			
Salary	\$ 8,300	\$ 8,300	\$ 0
Deputy Clerk	625	625	0
Other Expenses	<u>1,075</u>	<u>312</u>	<u>(763)</u>
Total Clerk	<u>\$ 10,000</u>	<u>\$ 9,237</u>	<u>\$ (763)</u>
Elections	<u>\$ 600</u>	<u>\$ 80</u>	<u>\$ (520)</u>
Treasurer			
Salary	\$ 8,300	\$ 8,300	\$ 0
Deputy Treasurer	625	625	0
Other Expenses	<u>4,575</u>	<u>4,576</u>	<u>1</u>
Total Treasurer	<u>\$ 13,500</u>	<u>\$ 13,501</u>	<u>\$ 1</u>
Other			
Township Hall	\$ 900	\$ 584	\$ (316)
Township Share - FICA Tax	2,850	2,902	52
Insurance and Bonds	10,550	10,536	(14)
Miscellaneous and Contingency	<u>6,850</u>	<u>5,790</u>	<u>(1,060)</u>
Total Other	<u>\$ 21,150</u>	<u>\$ 19,812</u>	<u>\$ (1,338)</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 66,750</u>	<u>\$ 63,961</u>	<u>\$ (2,789)</u>
PUBLIC SAFETY			
Fire Protection	\$ 51,000	\$ 57,875	\$ 6,875
Planning Commission	<u>1,000</u>	<u>650</u>	<u>(350)</u>
TOTAL PUBLIC SAFETY	<u>\$ 52,000</u>	<u>\$ 58,525</u>	<u>\$ 6,525</u>
PUBLIC WORKS			
Highways, Drains, Street Lighting	<u>\$ 47,930</u>	<u>\$ 43,676</u>	<u>\$ (4,254)</u>
CEMETERY			
Contract Services	\$ 3,949	\$ 3,949	\$ 0
Other Expenses	<u>121</u>	<u>119</u>	<u>(2)</u>
Total Cemetery	<u>\$ 4,070</u>	<u>\$ 4,068</u>	<u>\$ (2)</u>
RECREATION AND CULTURE	<u>\$ 1,500</u>	<u>\$ 1,415</u>	<u>\$ (85)</u>
CAPITAL IMPROVEMENTS	<u>\$ 800</u>	<u>\$ 0</u>	<u>\$ (800)</u>
TOTAL EXPENDITURES	<u>\$ 173,050</u>	<u>\$ 171,645</u>	<u>\$ (1,405)</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
BALANCE SHEET
SPECIAL REVENUE FUND - LIBRARY FUND
MARCH 31, 2004

ASSETS

Cash and Investments	\$ 30,683
Total Assets	<u>\$ 30,683</u>

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 150
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FUND BALANCE

Unreserved	
Undesignated	<u>30,533</u>

Total Liabilities & Fund Balance	<u>\$ 30,683</u>
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The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
SPECIAL REVENUE FUND - LIBRARY FUND
FOR THE YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Over (Under) <u>Budget</u>
REVENUE			
Penal Fines	\$ 18,500	\$ 26,724	\$ 8,224
State Shared Revenue	2,500	5,209	2,709
Contributions From Other Townships	5,600	5,600	0
Interest Income	500	574	74
Contributions	500	1,693	1,193
Miscellaneous Income	<u>30</u>	<u>759</u>	<u>729</u>
Total Revenue	<u>\$ 27,630</u>	<u>\$ 40,559</u>	<u>\$ 12,929</u>
EXPENDITURES			
Salaries	\$ 16,500	\$ 15,634	\$ (866)
Payroll tax Expense	1,300	1,344	44
Books	6,000	4,967	(1,033)
Magazines	1,000	834	(166)
Telephone	1,150	1,173	23
Electricity	1,000	871	(129)
Heat	1,500	1,479	(21)
Sewer	300	265	(35)
Supplies	3,500	2,375	(1,125)
Repairs and Maintenance	500	0	(500)
Rent	4,800	4,800	0
Membership - Woodlands Cooperative	2,700	2,443	(257)
Capital Outlay	2,500	0	(2,500)
Miscellaneous	<u>4,400</u>	<u>2,321</u>	<u>(2,079)</u>
Total Expenditures	<u>\$ 47,150</u>	<u>\$ 38,506</u>	<u>\$ (8,644)</u>
EXCESS OF REVENUE OVER (UNDER) EXPENDITURES	<u>\$ (19,520)</u>	<u>\$ 2,053</u>	<u>\$ 21,573</u>
OTHER FINANCING SOURCES			
Operating Transfers - In	<u>\$ 4,800</u>	<u>\$ 4,800</u>	<u>\$ 0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (14,720)</u>	<u>\$ 6,853</u>	<u>\$ 21,573</u>
FUND BALANCE - April 1, 2003	<u>23,680</u>	<u>23,680</u>	<u>0</u>
FUND BALANCE - March 31, 2004	<u>\$ 8,960</u>	<u>\$ 30,533</u>	<u>\$ 21,573</u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
BALANCE SHEET
ENTERPRISE FUND - SEWAGE DISPOSAL SYSTEM
MARCH 31, 2004

ASSETS

Current Assets		
Cash	\$	44,863
Taxes Receivable		2,468
Due from Other Funds		<u>12,794</u>
Total Current Assets	\$	<u>60,125</u>
Fixed Assets		
Land	\$	32,955
Property, Plant and Equipment	\$ 1,062,067	
Less: Accumulated Depreciation	<u>(372,185)</u>	<u>689,882</u>
Total Fixed Assets	\$	<u>772,837</u>
Total Assets	\$	<u><u>782,962</u></u>

LIABILITIES, FUND EQUITY, AND OTHER CREDITS

Current Liabilities		
Contract Payable - Current	\$	32,678
Accrued Interest Payable		<u>1,277</u>
Total Current Liabilities	\$	<u>33,955</u>
Long-Term Liabilities		
Contract Payable - Hillsdale County	\$	31,179
Deferred Charges - 1996 Bond Refunding		<u>(3,017)</u>
Total Long-Term Liabilities	\$	<u>28,162</u>
Total Liabilities	\$	<u>62,117</u>
Fund Equity and Other Credits		
Contributed Capital	\$	465,409
Retained Earnings		<u>255,436</u>
Total Fund Equity and Other Credits	\$	<u>720,845</u>
Total Liabilities, Fund Equity and Other Credits	\$	<u><u>782,962</u></u>

The accompanying notes are an integral part of this statement.

TOWNSHIP OF PITTSFORD
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
CURRENT TAX COLLECTION FUND
FOR THE YEAR ENDED MARCH 31, 2004

	Balance <u>April 1, 2003</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>March 31, 2004</u>
ASSETS				
Cash	\$ <u>0</u>	<u>\$ 805,279</u>	<u>\$ 792,390</u>	<u>\$ 12,889</u>
LIABILITIES				
Due to Other Funds	\$ 0	\$ 25,674	\$ 25,579	\$ 95
Due to County	0	386,714	386,714	0
Due to Schools	0	374,175	374,175	0
Due to State, etc.	0	5,922	5,922	0
Due to Sewer System	<u>0</u>	<u>12,794</u>	<u>0</u>	<u>12,794</u>
	<u>\$ 0</u>	<u>\$ 805,279</u>	<u>\$ 792,390</u>	<u>\$ 12,889</u>

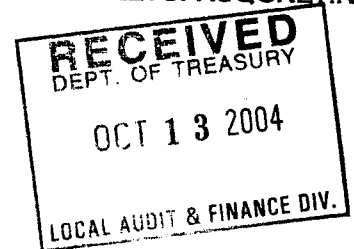
The accompanying notes are an integral part of this statement.

**Bailey, Hodshire
& Company, P.C.**
CERTIFIED PUBLIC ACCOUNTANTS

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October 4, 2004



To the Supervisor and
Members of the Township Board
Township of Pittsford

In connection with our audit of the Township of Pittsford for the year ended March 31, 2004, we would like to make the following comments and recommendations:

1. In June, 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments, which makes dramatic changes to the way local governments report their finances to the public.

For the first time the financial statements will include:

A Management Discussion and Analysis (MD&A) section providing an analysis of the Township's overall financial position and results of operations.

Financial statements prepared using full accrual accounting for all of the township's activities, including reporting infrastructure assets (roads, bridges, etc.).

The general provisions of GASB No. 34 must be implemented by Pittsford Township no later than the fiscal year ending March 31, 2005; however that is a "non-audit" year, so the requirements should be implemented in the following year. This will require an appraisal of Township property and the adoption of a capitalization policy.

2. The township has experienced a drastic decline in fund balance in the General Fund over the last two years, caused by expenditures far exceeding revenue. Fund balance has dropped from \$101,862 on March 31, 2002 to \$7,218 on March 31, 2004. The board needs to develop a plan on how to cut spending to match revenue levels, and then monitor the budget very closely to be sure a deficit does not occur. Two other options to consider are 1) invoking the 1% administration fee on property tax collections, which would generate approximately \$7,000 revenue each year; 2) asking the voters to override the Headlee rollback, which would generate approximately \$10,000 revenue each year.

If we can be of assistance regarding these recommendations, please contact our office.

Respectfully,

Bailey, Hodshire & Company, P.C.
Bailey, Hodshire & Company, P.C.
Certified Public Accountants